

**The State of IT in California -- 2003:
Getting Our House in Order**

**J. Clark Kelso
State Chief Information Officer,
Interim Director, Department of General Services**

**Keynote Address
Government Technology Conference
May 16, 2003**

Good morning, my friends. I'm here to deliver the annual State of IT in California address.

We have been blessed over the years that Government Technology, now e-Republic, has provided our information technology community with this annual forum. This is the best chance during the year for all of us who are committed to the wise use of technology in government to come together and talk about where we have been, where we want to go, and what the industry can do to help us. I've been coming to these meetings for about ten years now, and I always come away informed and, more importantly, inspired.

I'm going to share with you today a message of great hope and optimism. And I don't think I'm looking at the world through rose-colored glasses. When I'm done, I hope you will all agree that our future holds great promise. Admittedly, great challenges lie ahead, but those challenges are great opportunities, and when we meet those challenges, as we surely will, we will be able to look back with a sense of personal and professional accomplishment.

Like Dr. Robert Ballard, we are all explorers heading out into uncharted waters. And those of us who were at the Department of Information Technology last June have done Dr. Ballard one better. He may have discovered the Titanic, but those of us at DOIT got to go down with our own Titanic. And unlike the real Titanic, we have resurfaced with a stronger, more durable set of relationships.

Let me abandon the tragic metaphor of the Titanic to a metaphor that I think is much closer to the truth. What we've been doing over the last year, and what we need to continue doing over the next year, is putting our IT house in order.

Now what type of house do we have? Well, as of one year ago, we had a Winchester Mystery House. How many of you have been to the Winchester Mystery House in San Jose? It's a real treat. The Widow Winchester believed she had to keep building and improving the house or she would die. So she just kept building over several decades. And because of her belief in the occult, she had some very peculiar ideas about architecture and construction. She built out of fear and tried to confuse the spirits.

So the house has staircases that lead nowhere, doors that open into two-story rooms from the second-story, rooms with ghosts, and pieces that just don't fit together well. The house is misshaped with lots of extra rooms. The Widow Winchester just kept buying and buying and building and building without any real interest in trying to construct a functional, cost-effective, aesthetically appealing home.

Sound familiar? Well just like the Winchester House, we often seem to build our IT systems in a context of fear, and we sometimes hope to avoid or confuse our own spirits. We have in our IT environment staircases that lead nowhere in the form of lengthy processes that sometimes run into brick, impenetrable walls. Fearful of retrospective second-guessing and audits, we have raised the art of tactical rationality and quantitative documentation to the level of Kabuki theatre. We have plenty of examples of IT infrastructure and architecture that just don't seem to fit well together. And we have more than our share of IT ghosts who, with mind-numbing regularity, roam around the house scaring the visitors who pass through. In our Winchester House, the ghosts of DMV, projects involving social and health services, Oracle, DOIT and now CSU run rampant, creating fear and timidity wherever they go.

We were given a special gift last year. The sort of thing that you really can't predict or count on. We were given the chance to start over. To knock down our Winchester House. To bulldoze over the old, clear away the wreckage and build a new foundation for the future.

And that's just what we've done. We've nurtured a new sense of collaboration and cooperation in the IT community. We are going to stop having so many departments working independently of each other in designing and building our IT house. As we move forward, this is going to be more of a barn-raising effort, where every member of the community works cooperatively, oftentimes without explicit direction, to achieve common goals.

In the face of the predictable tightening of procurement in response to a scandal, notwithstanding the glare of the spotlight on IT, notwithstanding an unprecedented budget crisis, we have, by the sheer force of will and common sense of our IT leaders in Finance, DGS, the data centers, and the agencies and departments, we have positioned ourselves for steady progress forward, and we have started moving.

Let's look at where we are and how we are going to get our house in order. We've already established a working governance process. We need action by the Legislature on the statutory proposal for IT governance that I released in February, and I call on the Legislature to engage on this issue. So far, no one else seems to have a better idea, and no one else has introduced competing legislation. We need the Legislature's support for our vision.

The statutory proposal I have put forth largely codifies what we have actually doing for the past nine months or so, and we've been making progress on a number of strategic fronts. Let's look at what we've accomplished.

We've got an oversight framework that has been put in place by the Department of Finance some time ago. Finance recently completed a baseline report that tells us where we are with oversight and where we need to go.

We've also established with leadership from the Department of Finance, the California Highway Patrol, and the data centers, a cyber-security notification process that we know from recent experience works very well. Information about breaches of cyber-security is now being shared quickly and appropriately at the highest levels of government, which gives us the ability to make much better, more informed decisions about how to respond to cyber-incidents.

You'll hear more about oversight, security and Finance's other IT responsibilities from Debbie Leibrock. Let me now turn to some other recent developments.

After months of work with the data centers, the Legislative Analyst's office, the Department of Finance and others, I released a report just yesterday on the "Re-Alignment of Responsibility for the Management of the State's IT Resources and Infrastructure." You can find the report on the Department of Finance's webpages on Statewide IT Policies.

The report contains policy decisions that will result in a dramatic restructuring of our IT infrastructure. First, effective July 1, 2004, we are going to undertake an executive consolidation of the Teale Data Center and the Health and Human Services Data Center into a Statewide Consolidated Data Center. This data center, which will initially be consolidated only at the executive level, will be able to conduct a comprehensive examination of potential cost-savings and economies of scale from further administrative and operational consolidation. A Statewide Consolidated Data Center will give us a single, strong voice on technology issues in the IT leadership for the State. In essence, we will have a Chief Technology Officer. And we can immediately begin looking to the Statewide Consolidated Data Center as a center for IT procurement for the entire State.

In addition to consolidation of the data centers, we are going to begin looking at moving servers from departments to data centers, a process I call "server aggregation." There is no reason to have common servers dispersed throughout State government. It is time to achieve the appropriate economies of scale and improvements in security and management that come from creating server farms in our data centers.

Next, we are going to establish at the Health and Human Services Data Center, and ultimately at the Statewide Consolidated Data Center, a statewide center for email and messaging services. There is no good reason for each department to continue to have responsibility for individually procuring and maintaining the infrastructure for their own email and messaging systems. And we don't need to go to a single email system in order to achieve significant cost-efficiencies, so making the data center responsible for messaging is not going to force us into choosing one system for all. We can have both. We can have reasonable choices and centralized management.

These aren't things that we are going to just talk about this coming year. We're not going to have another study. We're not going to retain a consultant to tell us what we already know (and what virtually all of the consultants have been telling us for free in any event). We're just going to do it. These are changes that are going to happen. The time for discussion on these matters is over. The time for action has arrived. We're leaving behind the confusion of the Mystery House, and we're going to move towards a much more rational arrangement of our rooms.

And we are going to start developing enterprise-wide architectures and applications, and in the process, we are going to exorcise the ghost of Oracle. In addition to creating an enterprise-wide messaging service offering at the data center, we are going to make progress on other critically necessary enterprise-wide applications. I hope all of you have heard that the 21st Century project, the statewide payroll system, is going to get back on track. That's right. We are going to begin the process of replacing a crumbling legacy system that performs one of our critical back-office functions. It's going to be the first of many.

We have in the person of Controller Steve Westley, a leader and a champion who is committed to the transformational power of technology. He is a leader who understands that information technology has already become part and parcel of the fundamental infrastructure that makes all organizations, including government, function more efficiently and effectively. He is committed to bringing to all state officials a better understanding of the benefits of technology, the good stories, as well as a more realistic understanding of the risks. I'm looking forward to working closely with Steve and his staff to begin the process of replacing some of our oldest legacy systems with 21st century systems.

So as you can see, we are making some pretty substantial progress on matters that have long been subjects of discussion and controversy.

Let's take a look now at procurement, which has been the other major area of crisis and change during the year. I can't say enough good things about the progress that has been made with procurement reform. With determined leadership from the Department of General Services and the Department of Finance, we have begun to implement a substantial reform program. Ralph Chandler is going to give us some of the details in a moment. But let me

just highlight a few key features. We have established in each department a procurement and contracting officer who is responsible for that department's procurement activities. This creates a network of procurement professionals. We have begun a training program for all procurement and contracting officers, so we are going to make a significant investment in their professional development. And we have created a web-based contract registration system that, beginning July 1 when its use becomes mandatory statewide, will for the first time give us real-time data about all contracts above \$5,000 entered into by state departments. That information is going to give us a real handle on our procurement practices.

Our overall approach in procurement reform is to invest in our procurement workforce, turning them into lean and mean contracting professionals, to create the right tools for those professionals to use, and then to insist on accountability in how those tools are actually employed. It's a pretty simple approach, and it's going to work.

I've got so much confidence in our progress in procurement reform, that I think we are now ready to take on some additional challenges. I'd like to highlight just a couple of recent developments.

First, some of you may have noticed in the May Revise a brief little paragraph which says that the Department of General Services is going to find some \$100,000,000 in overall savings in contracts and leases. Now given DGS's efforts to find savings over the last year, the natural decrease in contracting that has already occurred as a result of the budget crisis and procurement reform efforts, setting a target for a further \$100,000,000 reduction may seem foolhardy to some. But we've been given some very useful tools to accomplish this feat. DGS worked with the Department of Finance on some control language that will permit DGS and Finance to harvest savings that DGS is able to generate. We are going to be a control agency with a smile. We are going to help departments do the right thing.

I suspect that one of our strategies is going to be to ask the procurement and contracting officers to prepare for us a contracting plan for each department that shows planned procurements for the coming year and prioritizes those procurements so that DGS, Finance and each department can reduce overall contracting costs for each department. Planning, prioritization and execution. It's as simple as that.

Our motto for the coming year is going to be: “Show Us the Savings!” To all of you vendors out there, watch out. We’re back. My advice to each vendor is to drop your prices dramatically, set the price for your space in the market, and fight as hard as you can to increase your market share. We want best value, but we also want best price.

A second development that I know many of you will be interested in relates to some of the processes associated with contract approvals. Part of our response to the crisis last year was to add lots of process to the approval of certain types of contracts, particularly non-competitive bids. Well, in light of the progress we have made, DGS will soon be issuing a management memo that re-engineers some of those processes. We remain firmly committed to accountability, but we are going to concentrate that accountability on a somewhat smaller set of players.

One example is that we are going to permit the Department of Finance to focus all of its attentions back on the budget and on IT investment, oversight and security, and we are going to relieve Finance of responsibility for contract approvals. The Department of General Services is going to be the place where the buck stops. This will be good news for everyone. It will be clearer who ultimately is accountable for certain decisions, and we will be able to make the best use of our resources. For departments, it will be one less hurdle to clear.

Now we’ve still got a ways to go with our procurement reform efforts until we have a truly clean bill of health. We’ve still got a big hill to climb. But we’ve made great progress and established some great momentum. So I’m very optimistic about the coming year.

As I close out my remarks, I want to identify what I see as the major challenges for each major player in our IT community. These are the opportunities for success in the coming year.

Department of Finance

Over the course of the next year, now that we know where the gaps are in our oversight program, we need to work collaboratively with departments to try to close those gaps. It’s going to be a huge challenge at a time of shrinking resources, but working together we can accomplish great things. We also need to take a more systematic look at the gaps in our cyber-

security defenses and how we can most effectively close those gaps. Part of the answer lies in continuing vigilance by CIOs and ISOs, but we also need to take a look at other options such as encryption and PKI technologies.

Department of General Services

Well I've already indicated our number 1 challenge. Find \$100,000,000 in savings in contracts and leases. That's quite enough to keep DGS fully occupied.

Data Centers

Your biggest challenge is to maintain quality services in the face of declining resources where there is great uncertainty about your workload. I suspect workload in many areas may actually increase, and I want to call upon the Department of Finance and the Legislative Analyst's office to be realistic and sensitive to the absolutely critical role played by our data centers. We can't fairly ask the data centers to take on the primary role of technology service providers for all departments and then starve the data centers of the resources they need to provide the level of services we demand. Given the central role played by our data centers, we should be erring on the side of slightly too many resources instead of erring on the side of too few resources. I know of no business or organization in the world that can succeed if it is cash or resource starved.

Departments and Agencies / AIOs, CIOs, and ISOs

You are the front line of the State's IT program. You are what make the whole thing work in support of the State's business needs. As we begin the process of re-aligning our IT infrastructure, I need you to work cooperatively with the Department of Finance and the data centers, and I need you to explain to your directors what it is we are doing so they will support our efforts.

I need you to be vigilant in managing and overseeing your projects, and to take the steps which are necessary to bring yourself into compliance with Finance's oversight framework.

And most of all, I need you to always be thinking outside of your own department. We are all part of the State. We all work for the public and for

the public good. We need to put that formal organizational chart to one side and to forge the connections and collaborations that are so necessary to make technology live up to its true potential.

Legislature

What I most hope for from the Legislature is some measure of understanding. We've got to get out of the business of using the State's IT program as a whipping post. Expectations have to become more realistic. The State as an organization is subject to the same immutable rules of organizational change and technological change as every other organization in the world. The notion that the private sector somehow does it better simply isn't true. We've been doing just as well, and in many cases very much better, than our private sector counterparts.

So my friends, that's how I see it at the moment. We've got a good foundation for future construction and growth. And we're now starting to build a better IT house. We're putting the Mystery House in the past, and we're going to create a simpler architecture for the future, an architecture that can support enterprise-wide thinking, procurement and applications. And as we do this, we will be making government operations more cost-effective and secure, and we will be providing to the public services, information and benefits that are more timely and convenient.

Be the best, be responsive and be collaborative. That's our formula for success. Thank you all very much.